

A top-down view of a white coffee cup filled with dark coffee. The coffee has a thick, light-colored foam on top. In the center of the foam, there is a latte art design that resembles a stylized, swirling pattern. The cup is set on a white saucer.

Q3 2016  
Financial Results

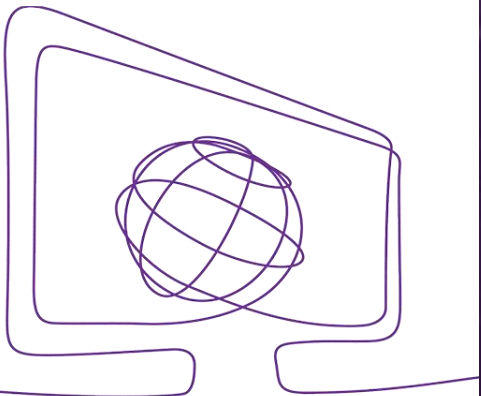
# Progress and challenges in Q3

- Improvement of top line in Q3 vs. Q2 2016, with the support of consumer base growth and new offers
- Stabilisation of market share with net intake of 157,000
- Launch of LTE in 11 cities based on network sharing with Beeline
- Migration to new billing system
- Monetising data
- Introduction of new unlimited LTE tariff plans by competitors
- Customer growth mainly on under-monetised entry level plans; and slow upselling and migration to higher plans.



# Key strategic priorities

- Increase in revenues by growing share-of-wallet and ARPU stimulation
- LTE network roll-out
- Increase in B2B solutions' share of revenue
- Improvement in data network quality
- Regain subscribers and grow customer base





# Q3 2016 Summary

01

Net sales KZT 36,931m (42,756)

✓ Decrease of 13.6% year-on-year

02

Service revenue KZT 35,032m  
(39,612)

✓ Decrease of 11.6% year-on-year

03

Data revenue 10,749m (10,051)

✓ Increase of 7.0% year-on-year

04

B2B revenue 2,956m (2,465)

✓ Increase of 19.9% year-on-year

05

EBITDA\* KZT 14,238m (19,028)

✓ Decrease of 25.2% year-on-year

06

EBITDA margin 38.6% (44.5)

✓ Decrease due to lower revenue and higher interconnect expenses

07

Net income KZT 4,378m (15,112)

✓ Decrease of 71.0% year-on-year

08

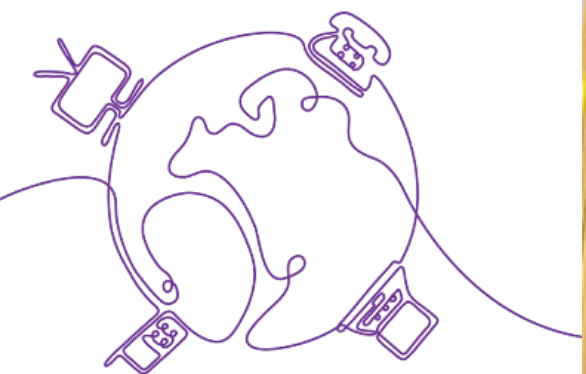
Subscribers 9,905m (9,748)

✓ Increase by 157,000 during the quarter

\*excluding non-recurring items



# 9m 2016 Summary



01

Net sales KZT 108,814m  
(128,820)

✓ Decrease of 15.5% year-on-year

02

Service revenue KZT 102,558m  
(119,447)

✓ Decrease of 14.1% year-on-year

03

Data revenue 30,481m (29,504)

✓ Increase of 3.3% year-on-year

04

B2B revenue 8,754m (7,008)

✓ Increase of 24.9% year-on-year

05

EBITDA\* KZT 43,503m (64,725)

✓ Decrease of 32.8% year-on-year

06

EBITDA margin 40.0% (50.2)

✓ Decrease due to lower revenue and higher interconnect expenses

07

Net income KZT 15,633m  
(39,666)

✓ Decrease of 60.6% year-on-year

08

Subscribers 9,905m (10,780)

✓ Decrease by 875,000 year-on-year

\*excluding non-recurring items

## Kcell Brand - New 'Prestige' tariff line

- 5 bundles, monthly fee from KZT 2,590 to 9,590
- Data allowance: from 15GB to 35GB available 24/7
- Unlimited on-net calls, relevant off-net mobile calls
- Packaged with entertainment services: on-line library, Music and TV streaming
- Comfort usage: monthly fee charged on the first day of each month, or availability of affordable pay-as-you-go tariffs
- Launched on 31 August 2016



# ACTIV tariffs line

- **6 competitive bundles launched on 27 May 2016**
  - Free on-net calls + min to other local mobiles + relevant data volume, 1,000 on-net SMS monthly package
  - Monthly fee from KZT 1,190 to 2,490
- **TP 'Conversation', unlimited on-net voice, KZT 590. Launched on 29 Apr 2016**

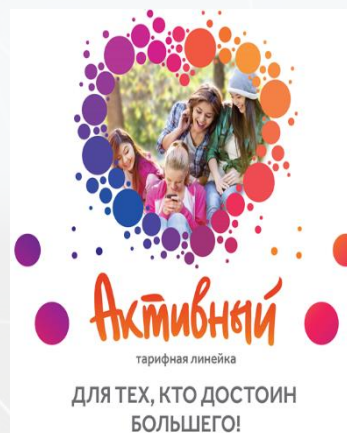


Activ Music



Bookmate  
by Activ

Entertainment services  
added into bundle  
bonus offer

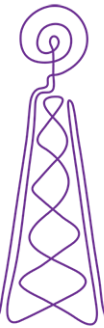
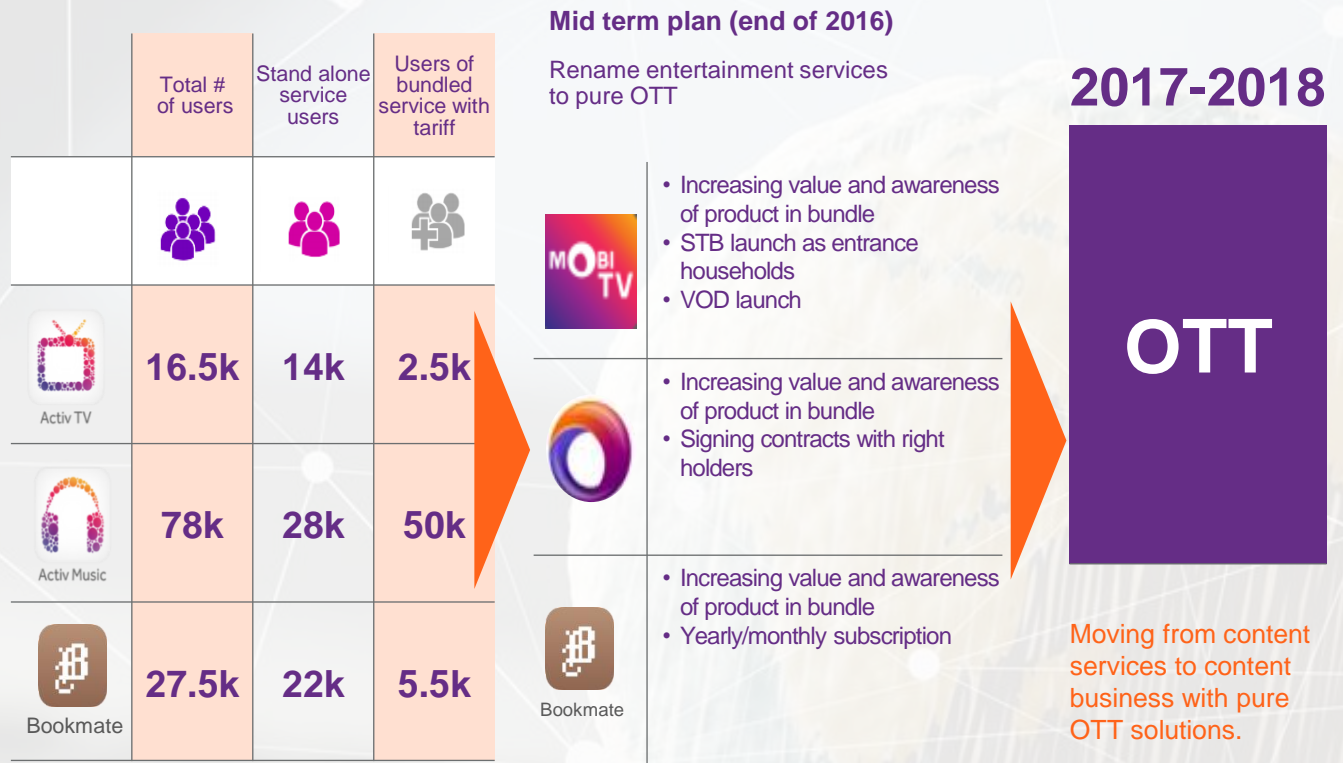


+1,000 bonus units\*  
on Start Packs with daily Mini  
bundle to boost activations

\*Bonus valid only for daily fee payment during 30 days after activating the Start Package

# Entertainment services

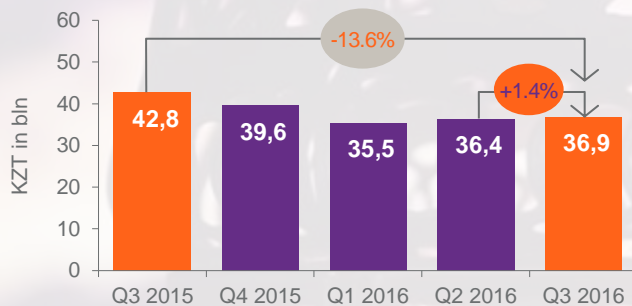
Entertainment services are included in tariff plans to increase awareness and value for customers



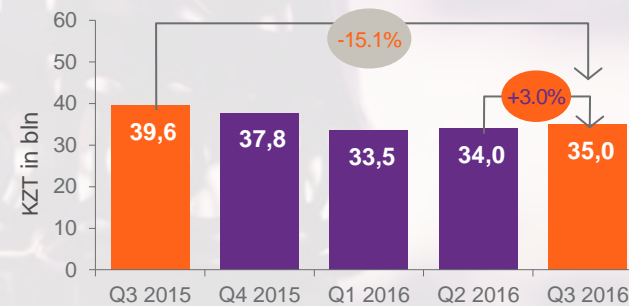


# Revenue trend

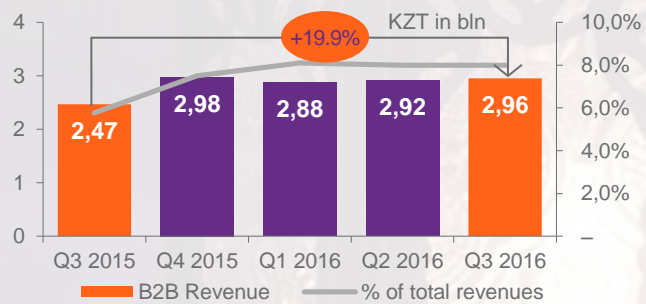
## Net sales



## Service revenue

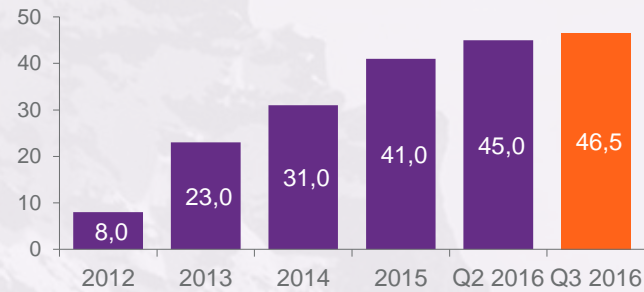


## B2B revenue

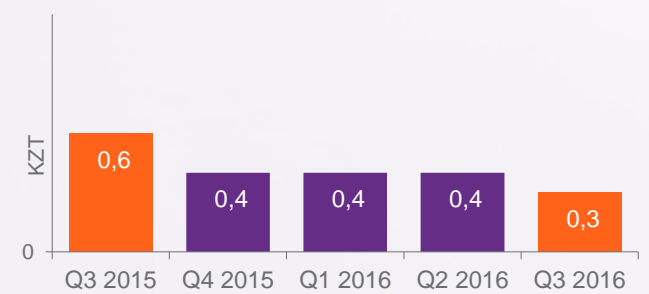


# Data usage and revenues

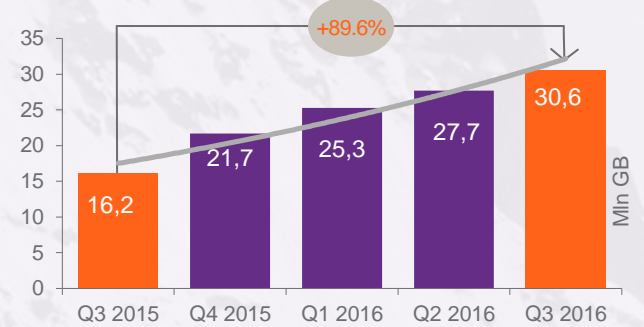
### Smartphone penetration % (network)



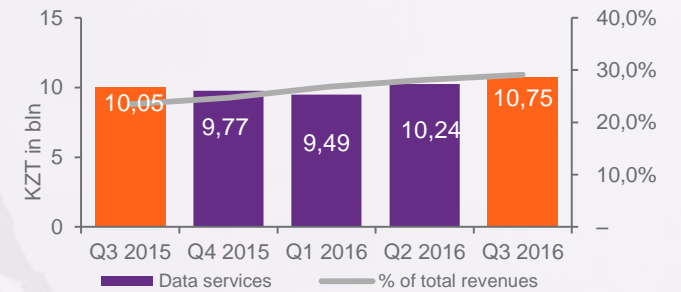
### Average revenue per MB



### Data traffic

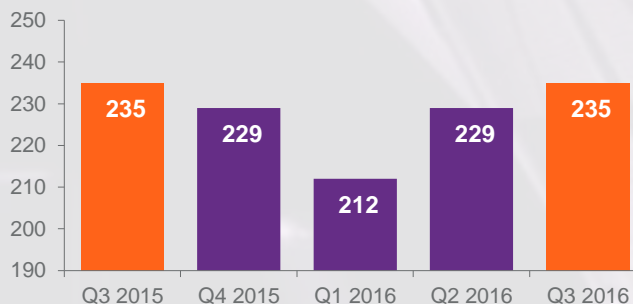


### Data revenue

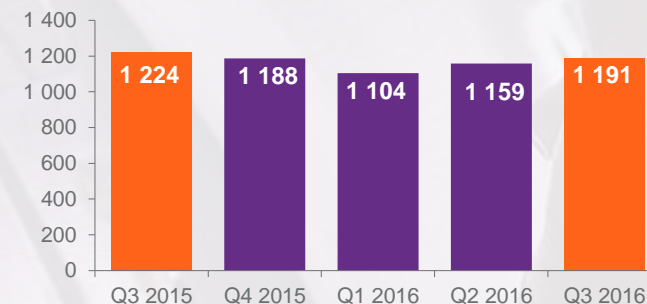


# Operational data

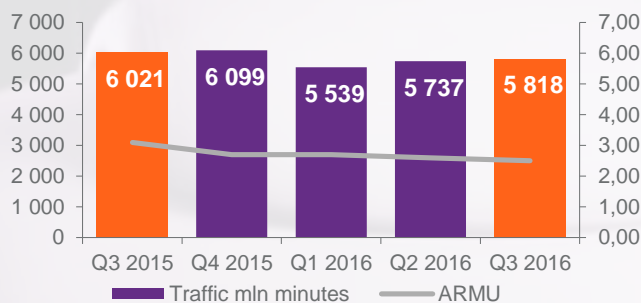
### Minutes of usage (MOU)



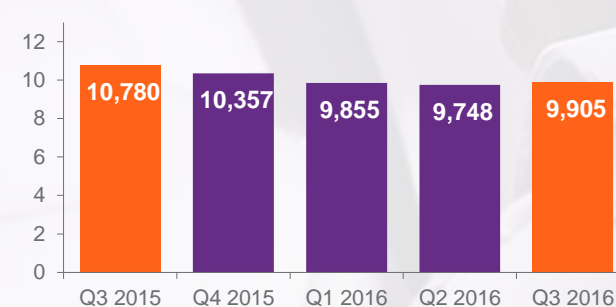
### Blended ARPU



### Total traffic & ARMU (KZT)



### Total subscribers



# Financial highlights

**KZT in millions, except per share data, number of shares and changes**

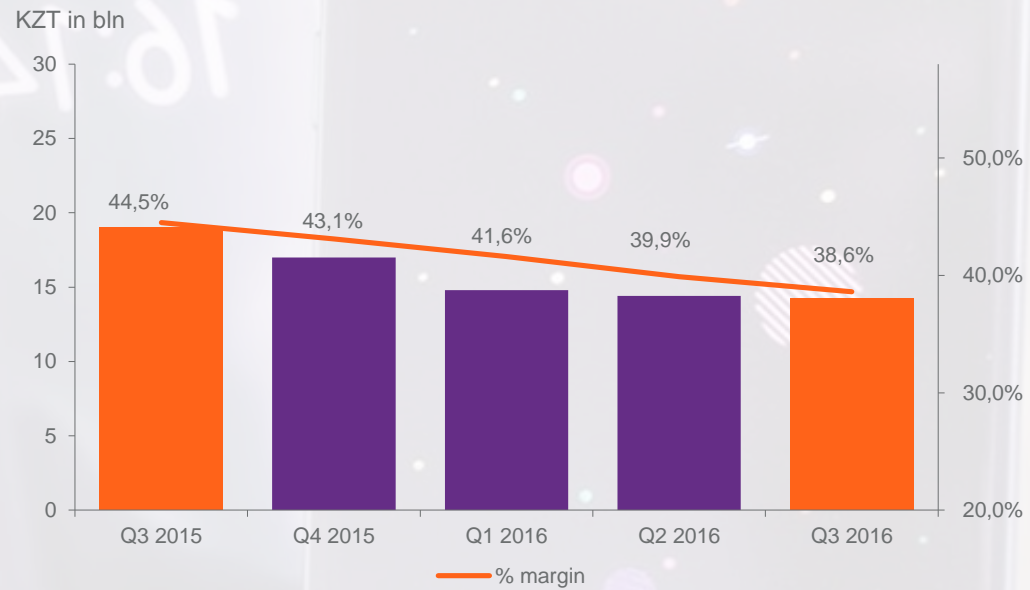
	Q3 2016	Q3 2015	Chg (%)	9m 2016	9m 2015	Chg (%)
Net Sales	36,931	42,756	-13.6	108,814	128,820	-15.5
of which service revenue	35,032	39,612	-11.6	102,558	119,447	-14.1
EBITDA*	14,238	19,028	-25.2	43,503	64,725	-32.8
EBITDA margin (%)	38.6	44.5		40.0	50.2	
Operating income	7,916	12,849	-38.4	24,775	45,977	-46.1
Operating income*	8,056	12,849	-37.3	25,384	46,304	-45.2
Net income	4,378	15,112	-71.0	15,633	39,666	-60.6
Earnings per share (KZT)	21.9	75.6	-71.0	78.2	198.3	-60.6
CAPEX to sales (%)	27.1	11.5		38.8	8.4	
Free cash flow	7,968	12,169		-992	26,579	

\*excluding non-recurring items



# EBITDA performance

## EBITDA performance

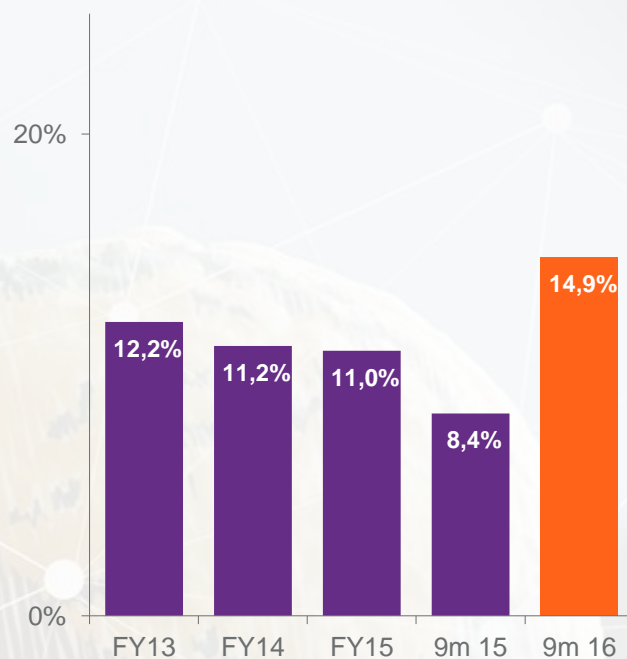


\*excluding non-recurring items



# Network priorities

## CAPEX-to-sales ratio\*



\*Capex without LTE licenses

## LTE launch

- Network sharing agreement with Beeline
- LTE launched in 11 cities

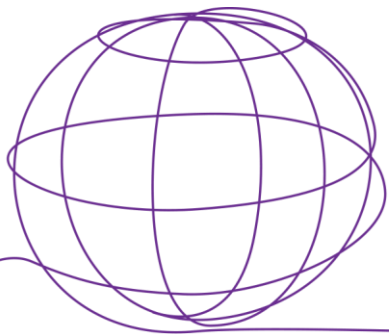
## Network modernisation

- Improvement of 2G and 3G network quality and coverage
- Capacity upgrades of 2G and 3G network
- Network Core improvement

## Completion of migration to new convergent billing system

# Dividends

- In August 2016, the Company's paid the annual dividend of KZT 46,632 million, with the dividend per ordinary share amounting to KZT 116.58 (each ordinary share representing one GDR).
- Dividends paid electronically directly into shareholders' bank accounts who were registered at the record date of 19 May 2015.



# Administrative and legal update

## **Update on “Daytime Unlimited”**

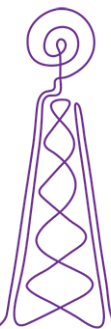
As of 1 October 2016, Kcell has returned KZT 2,467 million to customers. The migration to Amdocs convergent billing system started in July 2016.

## **Recovery of lost profits of Paylink LLP**

The Company’s cassation appeal against the Board of Appeals’ judgment as well as cassation appeal of Paylink LLP were dismissed by the Supreme Court of the Republic of Kazakhstan.

## **Tax audit**

The Company is undergoing tax audit that covers the period of 2011-2015. The results are expected by the end of 2016.







Q&A

# Income statement

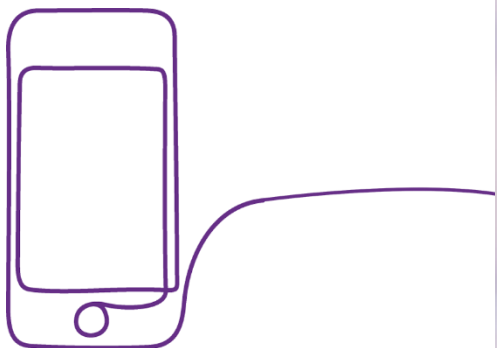
**KZT in millions, except per share data, number of shares and changes**

	Q3 2016	Q3 2015	Chg (%)	9m 2016	9m 2015	Chg (%)
Revenues	36,931	42,756	-13.6	108,814	128,820	-15.5
Cost of sales	-23,456	-24,418	-3.9	-67,390	-66,989	0.6
<b>Gross profit</b>	<b>13,475</b>	<b>18,337</b>	<b>-26.5</b>	<b>41,424</b>	<b>61,830</b>	<b>-33.0</b>
Selling and marketing expenses	-2,701	-2,347	15.1	-7,691	-7,171	7.3
General and administrative expenses	-3,029	-3,028	0.0	-9,355	-8,946	4.6
Other operating income and expenses, net	170	-113		398	263	
<b>Operating income</b>	<b>7,916</b>	<b>12,849</b>	<b>-38.4</b>	<b>24,775</b>	<b>45,977</b>	<b>-46.1</b>
Finance costs and other financial items, net	-2,321	6,638		-4,905	4,951	
<b>Income after financial items</b>	<b>5,594</b>	<b>19,487</b>	<b>-71.3</b>	<b>19,869</b>	<b>50,928</b>	<b>-61.0</b>
Income taxes	-1,216	-4,375	-72.2	-4,236	-11,262	-62.4
<b>Net income</b>	<b>4,378</b>	<b>15,112</b>	<b>-71.0</b>	<b>15,633</b>	<b>39,666</b>	<b>-60.6</b>
Earnings per share (KZT), basic and diluted	21.9	75.6	-71.0	78.2	198.3	-60.6



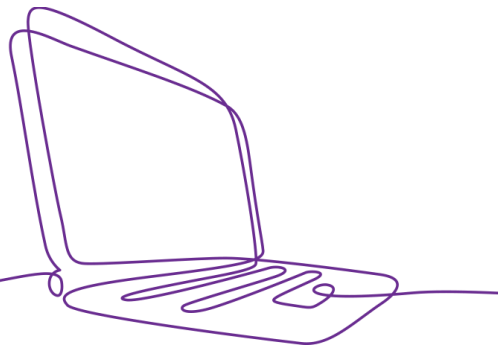
# Balance sheet

<b>KZT in millions</b>	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>
<b>Assets</b>		
Intangible assets	41,421	16,956
Property, plant and equipment	94,298	94,502
Other non-current assets	87	145
Financial aid	-	300
Long-term receivables	928	397
<b>Total non-current assets</b>	<b>136,734</b>	<b>112,301</b>
Inventories	2,488	2,802
Trade and other receivables	25,023	19,336
Cash and cash equivalents	20,747	31,589
<b>Total current assets</b>	<b>48,258</b>	<b>53,726</b>
<b>Total assets</b>	<b>184,992</b>	<b>166,027</b>
<b>Equity and liabilities</b>		
Share capital	33,800	33,800
Retained earnings	37,830	46,646
<b>Total equity attributable to owners of the parent company</b>	<b>71,630</b>	<b>80,446</b>
Long term borrowings	8,000	-
Deferred tax liabilities	4,219	5,037
Other long-term liabilities	1,285	1,286
<b>Total non-current liabilities</b>	<b>13,505</b>	<b>6,323</b>
Short-term borrowings	57,352	50,201
Trade payables and other current liabilities	42,506	29,057
<b>Total current liabilities</b>	<b>99,858</b>	<b>79,258</b>
<b>Total equity and liabilities</b>	<b>184,992</b>	<b>166,027</b>



# Statement of cash flows

<b>KZT in millions</b>	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>9m 2016</b>	<b>9m 2015</b>
Cash flow before change in working capital	13,813	15,229	36,018	52,085
Change in working capital	-1,670	2,526	-9,285	-6,199
<b>Cash flow from operating activities</b>	<b>12,143</b>	<b>17,755</b>	<b>26,733</b>	<b>45,886</b>
Cash CAPEX	-4,175	-5,586	-27,725	-19,307
<b>Free Cash Flow</b>	<b>7,968</b>	<b>12,169</b>	<b>-992</b>	<b>26,579</b>
<b>Cash flow before financing activities</b>	<b>7,968</b>	<b>12,169</b>	<b>-992</b>	<b>26,579</b>
Cash flow from financing activities	-14,316	3,300	-10,501	-15,482
<b>Cash flow for the period</b>	<b>-6,348</b>	<b>15,469</b>	<b>-11,493</b>	<b>11,097</b>
<b>Cash and cash equivalents, opening balance</b>	<b>27,203</b>	<b>15,452</b>	<b>31,589</b>	<b>19,520</b>
Cash flow for the period	-6,348	15,469	-11,493	11,097
Exchange rate difference	-108	8,037	651	8,341
<b>Cash and cash equivalents, closing balance</b>	<b>20,747</b>	<b>38,958</b>	<b>20,747</b>	<b>38,958</b>



# Financial key ratios

	31 Sep 2016	31 Dec 2015
Return on equity* %	29.7	54.1
Return on capital employed* %	34.5	69.6
Equity/assets ratio %	38.7	48.5
Net debt/equity ratio (multiple)	48.1	23.1
Net debt/EBITDA* rate %	0.80	0.24

\*Rolling 12 months



# Forward looking statement

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Kcell.

